

Message Text

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ACTION EUR-12

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POUCHED ALL CONSULATES IN CANADA

E.O. 11652: N/A

TAGS: ECON, CA

SUBJ: ANTI-INFLATION PROGRAM EXPANDED TO INCLUDE SEVERAL THOUSAND MORE FIRMS

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1. FINMIN MACDONALD ANNOUNCED IN PARLIAMENT ON MARCH 8 THAT GOC CONTROLS PROGRAM WOULD BE EXTENDED TO INCLUDE SEVERAL THOUSAND MORE FIRMS. NEWSPAPERS REPORTED THAT EXTENSION WOULD COVER 41,000 ADDITIONAL FIRMS EMPLOYING SOME 500,000 WORKERS, BUT EMBOFF CHECKED WITH ANTI-INFLATION BOARD OFFICIALS WHO COULD NOT EXPLAIN 41,000 FIGURE.

2. NEW FIRMS AND WORKERS TO BE COVERED BY A.I.B. WILL INCLUDE ALL SUPPLIERS IN CONSTRUCTION, TRUCKING, GRAIN HANDLING, LONGSHORING INDUSTRIES AND MOST OF SHIPPING INDUSTRY ON GROUNDS THAT "THESE FIVE KEY INDUSTRIES ARE STRATEGICALLY IMPORTANT IN CONTAINING AND REDUCING INFLATION". BECAUSE MOST OF THESE FIRMS CONDUCT "ASSOCIATION BARGAINING", THEY ARE TO BE INCLUDED IN GOC ANTI-INFLATION PROGRAM EVEN THOUGH MOST

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OF THEM DO NOT FALL WITHIN ORIGINAL THRESHHOLD

LIMITS OF EMPLOYMENT (E.E., OVER 500 WORKERS IN EACH COMPANY AND OVER 20 WORKERS IN CONSTRUCTION FIRMS).

3. ACCORDING TO FACT SHEET ISSUED WITH FINMIN MACDONALD'S PRESS RELEASE, NEW INDUSTRY COVERAGE WILL INCLUDE 14,916 FIRMS IN CONSTRUCTION (70 TO 80 PERCENT OF TOTAL FIRMS ENGAGED IN ASSOCIATION BARGAINING), 498 FIRMS IN TRUCKING (60 TO 70 PERCENT OF TOTAL), 14 FIRMS IN GRAIN HANDLING (90 PERCENT OF TOTAL), 40 FIRMS IN SHIPPING (80 PERCENT OF TOTAL), AND 131 FIRMS IN LONGSHORING (90 PERCENT OF TOTAL). IN ADDITION, 2,190 TURCKING FIRMS AND 18,000 CONSTRUCTION FIRMS IN PROVINCE OF QUEBEC ARE EXPECTED TO COME UNDER SIMILAR PROVINCIAL CONTROL PROGRAM WHEN PROVINCIAL BOARD IS ESTABLISHED.

4. EMPLOYER ASSOCIATIONS, SUCH AS CANADIAN CONSTRUCTION ASSOCIATION, ARE TO BE MADE RESPONSIBLE FOR REPORTING TO A.I.B. ON WAGE AGREEMENTS. INDIVIDUAL FIRMS, HAVING NON-UNION MEMBERS, ARE REQUIRED TO REPORT INDIVIDUALLY.

5. FINMIN MACDONALD ALSO ANNOUNCED HE HAS DIRECTED A.I.B. TO CONDUCT INQUIRY INTO PROPERTY AND CASUALTY INSURANCE INDUSTRY TO DETERMINE WHETHER OR NOT THESE FIRMS SHOULD ALSO COME UNDER A.I.B. CONTROL.

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6. COMMENT: GOC ANTI-INFLATION BOARD HAS MORE THAN CUSTOMARY GROWING PAINS OF NEW GOVERNMENT AGENCY, AND CURRENT CONFUSION EXISTING THEREIN DOES NOT AUGUR WELL FOR SUCCESS OF ANTI-INFLATION PROGRAM. EXAMPLES OF PRESENT BUREAUCRATIC SHAMBLES INCLUDE LACK OF POLICY COORDINATION BETWEEN A.I.B. AND OTHER GOVERNMENT AGENCIES, CONFLICTING STATEMENTS BY BOARD MEMBERS AND FAILURE TO PRODUCE ANSWERS TO INQUIRIES ABOUT BOARD'S REGULATIONS AND DIRECTIVES. (IN LIGHT OF EMOFF'S EXPERIENCE IN TRYING AND FAILING TO OBTAIN INFORMATION ON FINMIN MACDONALD'S RECENT ANNOUNCEMENT, ONE WONDERS ABOUT BOARD'S ABILITY TO SUPPLY ANSWERS TO CANADIAN BUSINESSMEN REGARDING THE BOARD'S EXTREMELY COMPLEX LIMITED OFFICIAL USE

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REGULATIONS.)

7. WHEN EMOFF ATTEMPTED TO OBTAIN CLARIFICATION OF BOARD REGULATIONS FROM A.I.B. RESEARCH CHIEF, SUGGESTION WAS MADE THAT EMBASSY OBTAIN SERVICES OF PRIVATE FIRM, "WHICH EXPLAINS A.I.B. REGULATIONS BETTER THAN WE DO". EMOFF WAS TOLD A.I.B. HAS OVER 200 SUBSCRIPTIONS TO PRIVATE FIRM'S PUBLICATION SERVICE.

8. AIB BOARD MEMBER J.L. BIDDELL TOLD AN AUDIENCE IN TORONTO IN LATE JANUARY THAT CUT IN INTEREST RATES WAS "THE SINGLE MOST IMPORTANT THING THE GOVERNMENT COULD DO TO CONTAIN INFLATION ON A LONG-TERM BASIS". (BANK OF CANADA ON MARCH 8 RAISED BANK RATE TO RECORD 9.5 PERCENT AND SET IN MOTION INCREASES IN MOST OTHER INTEREST RATE CHARGES). RECENTLY AIB VICE CHAIRMAN BERYL PLUMPTRE MADE HEADLINES WHEN SHE GAVE SPEECH IN WHICH SHE REPORTEDLY CALLED ON SUPERMARKET CHAINS TO ESCHEW FOREIGN "CHEAP" VEGETABLES FOR HIGHER-PRICED DOMESTIC PRODUCE.

9. J. BRIAN SHEEDY, FORMER CONSULTANT TO A.I.B., SAID IN INTERVIEW WITH TORONTO STAR ON FEBRUARY 13 THAT BOARD'S GUIDELINES ARE "A NIGHTMARE" AND COULD PUT SOME SMALL BUT EFFICIENT COMPANIES OUT OF BUSINESS.

10. IN DISCUSSION WITH EMBOFF ON MARCH 9, A.I.B. STAFF MEMBER SAID A.I.B. IS SWAMPED WITH REPORTING DOCUMENTS FROM FIRMS (HE ESTIMATED NUMBER MAY BE AS HIGH AS 10,000) WHICH WERE UNDER A.I.B. CONTROL BEFORE MARCH 8 FINMIN MACDONALD ANNOUNCEMENT ADDING FIVE WHOLE INDUSTRIES TO CONTROL PROGRAM. HE SAID REPORTS FROM SINGLE LARGE FIRM WERE MORE THAN ENOUGH TO ENGAGE FULLTIME A SINGLE A.I.B. ACCOUNTANT. ADDITION OF SEVERAL THOUSAND MORE FIRMS TO A.I.B. CONTROL WILL OVERWHELM AGENCY, HE ADDED.

11. CONFUSION OVER A.I.B. REGULATIONS AND OPERATIONS MAY HAVE SHORT-TERM POSITIVE EFFECT OF KEEPING BUSINESSES OFF-BALANCE AND RELUCTANT TO RAISE PRICES AND/OR PROFIT MARGINS OUT OF FEAR THAT BUSINESS MIGHT CONTRAVENE REGULATIONS, HOWEVER INADVERTENTLY. HOWEVER, IN LONG LIMITED OFFICIAL USE

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RUN BUSINESSES MUST HAVE CLEARER INDICATION OF BOARD'S GUIDELINES AND WHAT EXACTLY IS EXPECTED OF THEM FOR PLANNING PURPOSES DURING THREE-YEAR LIFE OF CONTROLS PROGRAM. IF BUSINESS LEADERS, WHO HAVE GIVEN GRUDGING SUPPORT TO CONTROLS PROGRAM THUS FAR, BECOME DISENCHANGED BECAUSE OF AIB INADEQUACIES AND MOVE TOWARD POSITION OF ORGANIZED LABOR, WHICH HAS BEEN ADAMANTLY OPPOSED TO PROGRAM FROM BEGINNING, PROGRAM WILL BE IN REAL TROUBLE. ENDERS

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